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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 002907

SIPDIS

STATE FOR PM, NEA, NEA/ARP, NEA/NGA

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TAGS: [MOPS](#) [PREL](#) [EAI](#) [D](#) [MARR](#) [PGOV](#) [KU](#) [IZ](#)

SUBJECT: FUEL FOR IRAQ: ONE MONTH REPRIEVE FROM CUT-OFF

REF: A. KUWAIT 2873

[B](#). KUWAIT 2772

[C](#). KUWAIT 2747

Classified By: Charge d'Affaires Matthew H. Tueller, Reasons 1.4(a) and (d)

[1](#)1. (C) Kuwait Petroleum Corporation (KPC) and USG delegations met again on September 1 to continue discussions over Kuwait's provision of assistance-in-kind (AIK) and Operation Iraqi Freedom (OIF) fuel supplies for US forces, which KPC had been instructed to terminate on September 4. KPC Chairman Nader Sultan stressed again that KPC had been supplying fuel in the absence of any payment agreement with the Kuwaiti Ministry of Defense (MOD), the Government of Kuwait (GOK) or the USG. In fact, he said, the Ministry of Defense had informed KPC that because MOD has no more funds, fuel supplies should be stopped. Sultan advised CDA to speak to he Minister of Defense regarding AIK fuel for use in Kuwait, and relay KPC's need for MOD instructions to continue providing fuel beyond September 4. He cautioned, however, that MOD would likely need a Council of Ministers decision to authorize more spending.

[1](#)2. (C) Concerning fuel for OIF, Sultan reiterated the need to negotiate a commercial contract. But he suggested a possible short-term compromise, pending the Minister of Energy's approval. According to Sultan, if the two sides could agree that a contract governing OIF fuel supplies would be put in place, then he could seek a brief extension in the cut-off deadline. Specifically, Sultan asked for the US delegation's concurrence that in the future, (1) KPC would be supplying OIF fuel under a contract; (2) pricing would be determined by the two sides; 3) fuel volumes would correspond to those projected by the US military; and (4) some decision would be made as to how to handle fuel that KPC has supplied since MOD stopped paying. CDA agreed that the US did accept the principle of a contract for OIF fuel, and that plans were being made for a political level team to visit Kuwait to reach agreement on commercial terms. Based on this, Sultan said, KPC would recommend that the GOK continue providing fuel until contract details can be finalized during high-level political discussions.

[1](#)3. (C) After the meeting, CDA delivered letter in para 4 to Minister of Defense's Office Director MG Humaidi. Humaidi subsequently reported that after consulting with the Minister of Defense, he called the Minister of Energy, who agreed that Kuwait would continue providing AIK and OIF fuel supplies until October 4. The Minister of Energy will deliver written instructions to KPC to keep deliveries going. This extension is based upon the August 30 (Ref A) and September 1 discussions, and the understanding that a senior US team will visit Kuwait later this month to discuss the price and duration of OIF fuel deliveries. CDA then spoke with KPC Chairman Sultan, who confirmed that he had been instructed to extend the deadline for cutoff of fuel to October 4.

[1](#)4. (SBU) BEGIN TEXT OF LETTER TO MINISTER OF DEFENSE.

Your Excellency,

I would like to take this opportunity to advise you of steps the U.S. Government is taking to address the matter of fuel supplies that Kuwait provides for U.S. forces in Iraq. Issues related to fuel supplies for forces in Iraq have been the subject of several senior level bilateral discussions over the past eight months.

At this point, we are engaged in negotiations with Kuwait Petroleum Corporation on terms of a contract to cover the fuel that is going to Iraq for the use of U.S. forces in Iraq. Several technical issues have been resolved in meetings held with KPC on August 30 and September 1. Discussions are proceeding well.

We expect that senior-level political discussions will take place in the near future so that outstanding matters can be resolved and a contract covering the oil going to Iraq can be signed.

There are two matters that I hope can receive you attention in connection with the discussions taking place with KPC. The first is quite urgent.

KPC advised the U.S. military on August 20 that absent a commercial arrangement, all fuel deliveries to U.S. forces would cease as of September 4. As we have now entered into discussions on a contract covering the fuel for Iraq, we hope that you can advise KPC to continue providing the fuel for U.S. forces while negotiations proceed. Any interruption of fuel supply to our forces in Iraq would of course have extremely negative consequences.

The second issue relates to ensuring that appropriate KPC officials understand that arrangements covering fuel provided for the use of U.S. forces in Kuwait are covered separately and are not part of the discussions related to a contract covering fuel for Iraq. I believe it is appropriate that this matter be covered with KPC by the Government of Kuwait rather than in the context of these contractual discussions.

Your assistance in these two matters would be greatly appreciated. Please accept my assurances of the highest consideration.

END TEXT OF LETTER.

15. (U) Baghdad minimize considered.
TUELLER